

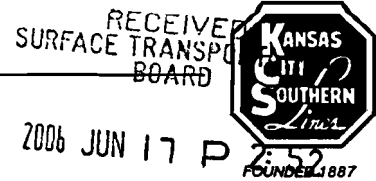
KANSAS CITY SOUTHERN

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PRESIDENT & CEO, THE KANSAS CITY SOUTHERN RAILWAY COMPANY
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July 13, 2006



WILLIAM D. BUTTREY
CHAIRMAN
SURFACE TRANSPORT BOARD

The Honorable W. Douglas Buttrey
Chairman, Surface Transportation Board
1925 K Street, NW, Suite 810
Washington, DC 20423

Dear Chairman Buttrey:

Thank you for your June 28, 2006 letter regarding railroad service plans for this fall. Kansas City Southern (KCS) has been focused on preparing for fall traffic and is pleased to provide this response to the requests for information contained in your letter.

At the end of 2005 and in the early months of 2006, KCS was completing its recovery from the hurricanes that took place along the Gulf coast. Train velocity and overall fluidity on KCS has completely recovered, and is currently very good. KCS is operating as well as it has in recent years. Ongoing conversations with KCS customers confirms this information. This solid operation of our railroad today will help us to respond to the increased demand for service we anticipated this fall.

Below are our specific responses to the four requests for information you made in your letter:

I. The steps your railroad is taking to ascertain demand for and prepare for this year's peak shipping season.

In order to ascertain demand and to prepare for this year's peak shipping season, KCS has implemented a program to open direct conversations with our shippers to more clearly understand their expectations for the months ahead and to revise our traffic forecasts accordingly. From these discussions and revised traffic forecasts, KCS will review its service plans to address any changes that may be needed from this updated forecast.

A number of capital investments and operating changes have been implemented at KCS, which have resulted in better velocity, more capacity and a more fluid railroad. These include:

- 1) The addition of two new intermodal service offerings, one from Marion, Ohio to Kansas City, Missouri, and the other from Lázaro Cárdenas, Mexico to Jackson, Mississippi, adding substantial intermodal capacity for KCS shippers. '
- 2) Consolidation of assets, including locomotives and rail cars, between The Kansas City Southern Railway (KCSR) in the U.S. and Kansas City Southern de Mexico (KCSM) in Mexico to provide for better deployment of equipment.
- 3) Implementation and integration of the KCS operating platform, MCS, on both KCSR and KCSM to vastly improve management and coordination of the two railroads.
- 4) Improved border crossing and clearance procedures south of the border to allow for substantially more fluid movement between the U.S. and Mexico at Laredo, Texas, which has resulted in the most fluid border operation since KCS's investment in the Mexican railroad.
- 5) Addition of a new high-speed, mechanized nine-track switchyard at Laredo Yard in Laredo, Texas.
- 6) Completion of track improvements along the Laredo subdivision increasing train speeds from 30 mph to 60 mph with power assisted switches and the addition of one new siding.
- 7) Addition of eight new receiving/departure tracks at Deramus Yard in Shreveport, Louisiana and other yard improvements.
- 8) Completion of centralized traffic control (CTC) from Shreveport to Fosters, Louisiana increasing train speeds over this fourteen-mile stretch of railroad with an additional twenty miles of new CTC to Gibsland, Louisiana by year's end.
- 9) Opening of new double-track mainline on the Meridian Speedway for seven miles at Monroe, Louisiana.

- 10) Opening of a new siding and significant track improvements at Vicksburg, Mississippi.
- 11) Addition of two new receiving and departure tracks at High Oak Yard in Jackson, Mississippi with the addition of assisted power switches to improve the efficiency of the yard.
- 12) Addition of thirty new SD70 Ace locomotives and the movement of 75 SD70 Max locomotives between Mexico and US to provide for more distributive power on the KCS system, thereby allowing bigger trains and US-Mexico shuttle trains.
- 13) The addition of 41 new leased SD90 locomotives to add horsepower to our system.
- 14) Full implementation of the shuttle grain trains started last fall and increased up to ten train sets for unit grain trains in anticipation of fall harvest.
- 15) Implementation of CTC between Vicksburg and Jackson, Mississippi.
- 16) Increased use of blocking in cooperation with other Class I's over Meridian, Mississippi to expedite traffic and eliminate delays.
- 17) Extension of sidings on the primary north mainline including addition of a new double-track main at Heavener, Oklahoma.
- 18) Accelerated hiring and training of over 150 new train and engine employees thus far in 2006.

II. Your railroad's performance goals for the remainder of this year.

Total cars on line – 26,500
TrainSpeed /All Trains – 24 mph
Terminal Dwell/Entire Railroad – 22 hours

III. Your railroad's plans for achieving those goals.

KCS believes that the improved velocity already being experienced on the railroad, combined with the revised traffic forecast obtained in direct conversation with shippers, and implementation of the capital investments and operating practices outlined above, will lead to the achievement of our performance goals. KCS increasingly operates a disciplined railroad and implementation of our MCS system has greatly assisted in achieving that

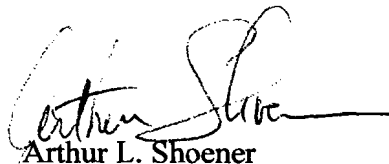
discipline. KCS plans to execute the operating practices and capacity increasing investments during the remaining months of the year to ensure that performance remains at an all-time high.

IV. Your railroad's plans to communicate these steps, goals and plans to customers.

As mentioned above, KCS has already implemented a program of direct contact with shippers to ascertain updated information and revise forecasts. In addition to this direct customer communications, KCS has an ongoing customer communication program that includes a KCS customer newsletter and frequent customer phone calls. In addition, KCS will participate in the STB's September customer forum in St. Louis, Missouri. These steps, along with our normal communications during the normal course of business, should ensure adequate communication with our customers.

Thanks again for providing KCS an opportunity to respond to you on the many steps we have taken and are implementing to anticipate and be prepared for the fall traffic surge. We would be delighted to provide any additional details that you or the Board might require.

Sincerely,



Arthur L. Shoener